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C O N F I D E N T I A L BENGHAZI 114

SUBJECT: NATIONALIZATION OF BP - STATUS REPORT THREE

REF: BENGHAZI 0087

FROM MACK:

SUMMARY: UP-DATE OF PREVIOUS REPORTING ON RELATIONS AMONG BP, HUNT, AND ARAB GULF. MANPOWER SITUATION IMPROVES FOR ARAB GULF. AMERICAN FIRM TO PROVIDE CONSULTANTS.

1. ARAB GULF APPEARS TO HAVE SURVIVED THE LATEST OF RECURRING MANPOWER CRISES SINCE THE DEPARTURE OF BP PERSONNEL LAST DECEMBER. AFTER AN INTERIM RELIANCE ON PERSONNEL WHICH ITS PARTNER NELSON BUNKER HUNT AIR LIFTED TO LIBYA, ARAB GULF CONTRACTED FOR PRODUCTION PERSONNEL WITH OVERSEAS TECHNICAL SERVICES. SINCE THE FAILURE OF THIS ARRANGEMENT, ARAB GULF HAS RELIED ON DIRECT HIRE OF MOSTLY BRITISH EXPATRIATES. ALTHOUGH DIFFICULTIES REMAIN, DIRECT HIRE IS FINALLY BEGINNING TO PRODUCE THE DESIRED RESULTS AT SARIR FIELD AND AT HARIQA TERMINAL IN TOBRUK. REPORTS OF EXPATRIATE PERSONNEL AT SARIR VARY, BUT THERE ARE PROBABLY BETWEEN TWENTY AND THIRTY. THE BRITISH CONSUL, WHO RECENTLY VISITED TOBRUK, FOUND NO LESS THAN TWENTY OF HIS COUNTRYMEN, INCLUDING NINE FORMER BP CONTRACT EMPLOYEES.

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2. AN AMERICAN COMPANY, RESOURCES ENGINEERING MANAGEMENT INTERNATIONAL (REMI), HAS OBTAINED A SHORT-TERM CONTRACT TO PROVIDE CONSULTING SERVICES TO ARAB GULF. THEY EXPECT TO BE SENDING A HALF DOZEN OR SO AMERICAN EXPERTS TO BENGHAZI DURING THE NEXT SEVERAL MONTHS. THE EXPERTS WOULD ADVISE ON A NUMBER OF SUBJECTS, BUT ARAB GULF DECLINED AN OFFER OF ADVICE ABOUT MARKETING PROBLEMS. THE TWO REPRESENTATIVES OF REMI WHO WERE HERE TO NEGOTIATE THE AGREEMENT HAVE WORKED WITH SONATRACH IN ALGERIA AND APPEAR COMPETENT. THEY CLEARLY HOPE THAT AFTER AN INITIAL TRIAL RUN, ARAB GULF WOULD SIGN THEM TO A LONG-TERM CONTRACT.

3. ARAB GULF'S DIRECTOR OF TRAINING VISITED THE EMBASSY TO SEEK ADVICE ABOUT LAW SCHOOLS IN THE U.S. TO WHICH THEY COULD SEND LIBYAN PERSONNEL BEING HIRED FOR THEIR LEGAL STAFF. THE TRAINING DIRECTOR TOLD ME THAT ARAB GULF PLANS TO DO ALL OF ITS OUT-OF-COUNTRY MANPOWER TRAINING IN THE U.S.

4. RELATIONS BETWEEN HUNT AND ARAB GULF ARE MARGINALLY BETTER. HUNT HAS AGREED TO DO SOME BADLY NEEDED OUT-OF-COUNTRY PURCHASING FOR ARAB GULF.

5. REPORT IN PIW (FEBRUARY 14) OF ARAB GULF OIL SHIPMENT TO THE AEGEAN APPEARS TO BE FALSE. BRITISH CONSUL, WHO RECENTLY VISITED TOBRUK, AND HUNT REPRESENTATIVE BOTH STATE THAT ARAB GULF HAS NOT LIFTED OIL SINCE THREE SHIPMENTS IN DECEMBER. GREEK CONSUL TOLD ME THAT GREEK REFINERY REPRESENTATIVE HAD VISITED BENGHAZI AND TALKED WITH ARAB GULZGN BUT MATTER HAD NOT GONE ANY FURTHER. ACCORDING TO HUNT REPRESENTATIVE, SIMILAR INDIVIDUAL CAME TO HIM SEEKING 35,000 B/D AT PRICE WHICH WAS NOT ATTRACTIVE. HUNT IS LIFTING TOTAL SARIR PRODUCTION OF BETWEEN 210,000 AND 220,000.

6. VISIT TO MOSCOW AND BUCHAREST BY RCC MEMERUND ECONOMIC MINISTER JALPUD HAS LED TO RUMORS THAT ARAB GULF MIGHT FIND BOTH CRUDE BUYERS AND TECHNICAL ASSISTANCE IN EASTERN EUROPE. FORMER DIRECTOR OF ARAB GULF, NOW WITH NATIONAL OIL COMPANY PARENT, WAS MEMBER OF DELEGATION.
PALMER

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